

FDIC State Profile

SPRING 2003

Louisiana

Louisiana's Employment Growth Remains Flat Following Months of Moderate Growth

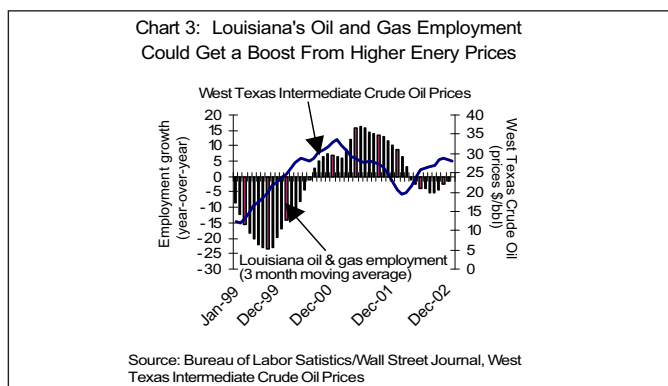
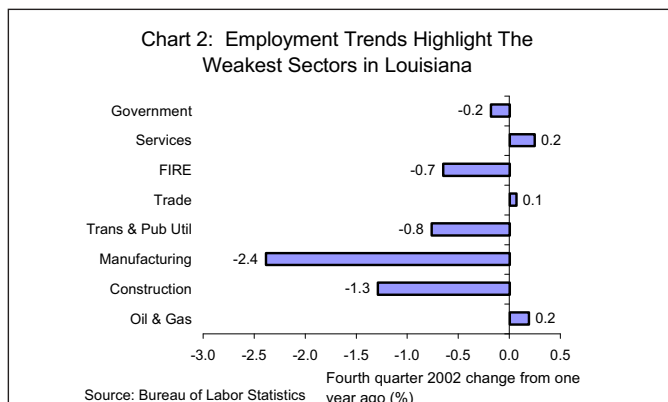
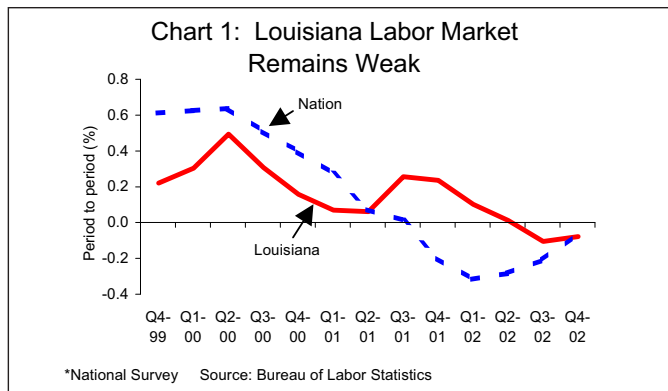
- Louisiana's economy experienced moderate employment growth until the second half of 2002, well after the national recession that began in March 2001 (see **Chart 1**). The decline in second quarter 2002 employment from a year earlier represents only the first quarterly decline since second quarter 1999. During the national recession in 2001, employment gains continued at a moderate pace led by strong performances in the state's services, lodging establishments, health services, and transportation and public utilities. However, continued weakness in the national economy has since impeded employment growth in many of these sectors.
- Louisiana's employment levels slowed during second half of last year, but have since stabilized somewhat with no gains in employment. Although year-over-year employment growth in fourth quarter 2002 fell 0.3 percent, employment increased 0.1 percent compared with the third quarter. This indicates labor market conditions may be improving.
- The largest employment declines during 2002 have occurred in manufacturing, construction, transportation and public utility, and in finance, insurance and real estate (FIRE) sectors (see **Chart 2**). In contrast, the trade sector, driven by gains in building materials and garden supplies, represented one of the few areas which reported higher employment in fourth quarter 2002 than a year ago.

Louisiana Tourism Remains Strong

- The state's important tourism and hospitality industry is experiencing strong job growth after a moderate slow down in third quarter 2002. Employment growth in the hotels and lodgings sector, a proxy for the state's tourism, grew 2.5 percent in fourth quarter 2002 compared with a year earlier. The job growth was the third quarterly increase, after a brief slowdown of 0.1 percent growth in third quarter last year 2002, the only quarter with less than a percentage growth since third quarter 1999.

Louisiana's Oil and Gas Sector Employment Could Improved With Higher Oil Prices

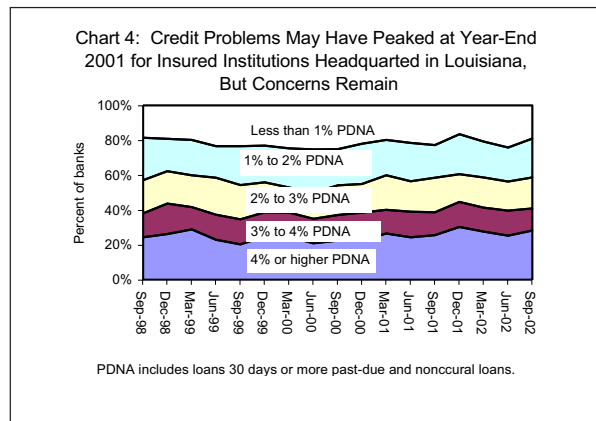
- Louisiana's energy sector's contribution to the state's gross state product (GSP) has declined over the years to just 13 percent in 2000. However, the sector has a disproportionately large influence on the area where employment is concentrated because of the above average wages garnered by employ-



ees. The higher energy prices existing since Fall 2002 suggest that employment in the sector may rise and in the process may provide a boost to the overall economy (see **Chart 3**).

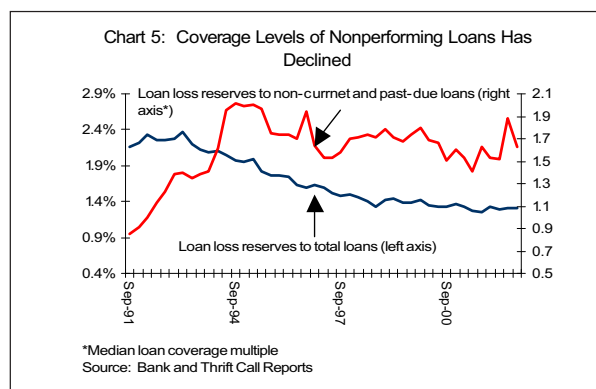
Asset Quality Remains an Ongoing Concern as Past-Due Levels Increased

- At year-end 2001, insured institutions headquartered in Louisiana reported a peak in past-due and nonaccrual loan levels at a median 2.67 percent of total loans (see **Chart 4**).
- Although past-due and nonaccrual loan levels have not reached those of year-end 2001, delinquencies rose through the first nine months of 2002, signaling that credit problems remain among the state's insured institutions.¹



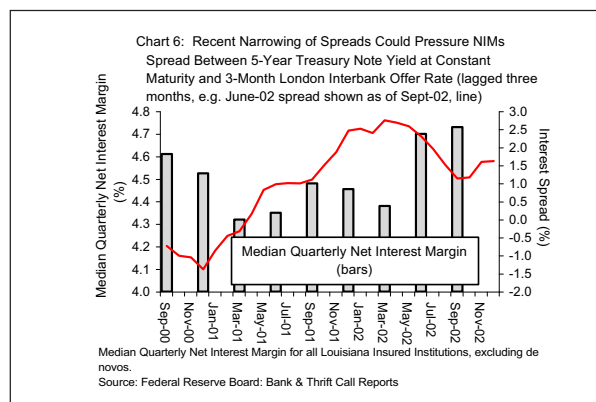
Loan Loss Coverage of Nonperforming Loans Slightly Declined Among the State's Insured Institutions

- Insured institutions headquartered in Louisiana responded to the peak in delinquencies at year-end 2001 by maintaining allowance levels at approximately 1.3 percent relative to total loans. This trend continued through the first nine months of 2002 (see **Chart 5**).
- Although slightly above year-end 2001 levels and on par with one year ago, coverage of nonperforming loans decreased to 163 percent in third quarter 2002 from 188 percent one quarter ago.



Narrowing Spreads May Pressure Future Margins

- The lagged effect of a favorable interest rate environment during the first half of 2002 improved earnings. The quarterly median net interest margin (NIM) for insured institutions headquartered in Louisiana rose to 4.73 percent in third quarter 2002, up from 4.48 percent one year ago (see **Chart 6**).
- However, the narrowing of the spread between short and long term interest rates may have detrimental effects on the NIM as funding costs hit effective floors and earning asset yields decline. A rise in interest rates could pressure NIMs, particularly if accompanied by a decline in interest rate spreads to more normal levels.³



¹ Although down from 2.75 percent at year-end 2001, the median past-due ratio among established banks (those in existence for at least three years) was 2.45 percent in third quarter 2002, up from 2.38 percent and 2.37 percent one quarter ago and one year ago, respectively.

² Loan loss reserves were 1.31 percent of total loans in third quarter 2002, relatively unchanged from year-end 2001.

³ The 10-year average monthly spread between 3-month Labor and 5-year Treasury rates is 77 basis points, compared with 162 basis point spread in December 2002.

Louisiana At A Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	174	176	183	188	189
Total Assets (in thousands)	48,452,193	46,524,157	54,787,849	53,981,742	51,999,379
New Institutions (# < 3 years)	1	10	14	17	8
New Institutions (# < 9 years)	17	17	18	21	16
Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	10.30	10.11	10.63	10.52	10.21
Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	2.45%	2.33%	2.19%	2.22%	2.34%
Past-Due and Nonaccrual > = 5%	32	29	21	25	33
ALLL/Total Loans (median %)	1.31%	1.25%	1.27%	1.29%	1.32%
ALLL/Noncurrent Loans (median multiple)	1.64	1.64	1.57	1.74	1.71
Net Loan Losses/Loans (aggregate)	0.37%	0.41%	0.35%	0.45%	0.32%
Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)		7	11	16	6
Percent Unprofitable	0.00%	3.98%	6.01%	8.51%	3.17%
Return on Assets (median %)	1.11	0.99	1.07	1.04	1.13
25th Percentile	0.80	0.67	0.69	0.72	0.89
Net Interest Margin (median %)	4.60%	4.36%	4.65%	4.53%	4.70%
Yield on Earning Assets (median)	6.84%	7.98%	8.23%	7.80%	8.04%
Cost of Funding Earning Assets (median)	2.34%	3.66%	3.72%	3.32%	3.51%
Provisions to Avg. Assets (median)	0.13%	0.14%	0.12%	0.11%	0.08%
Noninterest Income to Avg. Assets (median)	0.87%	0.82%	0.78%	0.78%	0.84%
Overhead to Avg. Assets (median)	3.35%	3.37%	3.47%	3.38%	3.41%
Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	74.75%	72.13%	74.00%	70.41%	67.32%
Loans to Assets (median %)	60.48%	61.30%	61.90%	59.54%	57.04%
Brokered Deposits (# of Institutions)	15	12	10	9	8
Bro. Deps./Assets (median for above inst.)	1.27%	1.51%	2.21%	2.65%	4.53%
Noncore Funding to Assets (median)	19.37%	18.39%	18.36%	16.74%	15.50%
Core Funding to Assets (median)	67.87%	69.38%	69.74%	70.60%	71.51%
Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	123	125	130	133	128
National	16	16	18	19	24
State Member	3	2	2	3	4
S&L	21	21	21	21	22
Savings Bank	8	9	9	9	8
Mutually Insured	3	3	3	3	3
Asset Distribution	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
\$0 to \$100 million	97	107	122	124	122
\$100 to \$250 million	51	45	39	43	45
\$250 to \$500 million	19	19	15	15	10
\$500 million to \$1 billion	3	1	2	1	6
\$1 to \$3 billion	2	2	2	2	2
\$3 to \$10 billion	1	1	1	1	3
Over \$10 billion	1	1	2	2	1